

MINUTES OF
THE INDIANAPOLIS LOCAL PUBLIC IMPROVEMENT BOND BANK

Minutes of the Special Meeting of the Board of Directors
Monday, March 24, 2003

MEMBERS PRESENT: John J. Dillon,III
 Mary Titsworth Chandler
 Arnold Pinkston
 Jacob Hall

MEMBERS ABSENT: Thomas O' Donnell

OTHERS PRESENT: Robert Clifford, Indianapolis Bond Bank
 Jennifer Weflen, Indianapolis Bond Bank
 Laurie Canatsey, Indianapolis Bond Bank
 Geneva Walker, Indianapolis Bond Bank
 Jacqui Echols, Indianapolis Bond Bank
 Evert Hauser, Indianapolis Bond Bank
 Matt Hall, Indianapolis Bond Bank
 Guy Nagahama, First Albany Corp
 Sharon Karst, Bank One
 David Girton, SBK Brooks
 Bob Kocher, Bank One
 Jim Crawford, Kreig DeVault LLP
 Michael Claytor, Crowe Chizek
 Jeff Qualkinbush, Barnes & Thornburg
 Hans Steck, Bingham McHale
 Randy Ruhl, City Securities Corp
 Tom Enright, City Securities Corp
 Amy Kosnoff, Baker & Daniel's
 Sharon Karst, Bank One
 Dawn Tabler, Key Bank
 Tom Surgener, Bank One

The Special Meeting of the Indianapolis Local Public Improvement Bond Bank ("Bond Bank") convened at 12:00 p.m., Monday March 24, 2003 at the City-County Building, 200 East Washington Street, Suite 224, Indianapolis, Indiana, pursuant to notice given in accordance with IC 5-14-1.5. Chairman John J. Dillon III called the meeting to order after determining that a quorum was present.

The first order of business was approval of the Indianapolis Local Public Improvement Bond Bank board meeting minutes of February 10, 2003. Upon reviewing the minutes, Chairman Dillon asked if staff could elaborate more on a few questions that had been

asked. He stated that he would hold the minutes at bay and approve them at the next meeting.

The next order of business was the update and recap regarding United Airlines. Chairman Dillon explained that the City is in a difficult situation with United Airlines bankruptcy and maintenance hub. He then stated that, it appears United is moving away from employing people for the hub. He then stated that, in the event that they do furlough the employees, this would leave a tremendous void at the Indianapolis Airport that would need to be fixed. He went on to talk about the professional services the City would need and they had identified a company out of Denver, Colorado by the name of Strand Associates Inc. They are the premiere airline-consulting firm in the U.S. They have done previous work for the City. The City believes it is properly bringing them in on a full contract to do additional work. Chairman Dillon asked for a motion to approve the Indianapolis Bond Bank to hire Strand Associates Inc. of Denver, Colorado. Mr. Arnold Pinkston made the motion to approve the hiring of Strand Associates Inc., and was seconded by Ms. Mary Chandler. All voted in favor and the motion passed.

The next order of business was the full-time employment of a Public Information Officer. The employee would be shared with different agencies. Chairman Dillon asked Mr. Clifford to explain the position. Mr. Clifford stated that if something occurs and the media would need a quick comment, this is where the public information officer would come in. He stated that what has been proposed is that the Bond Bank, Corporation Council and the City Controller's office will share a person. They are still in negotiations to determine the final sharing percentage each area would need. He then stated that it would possibly be 75% for Corporation Council, approximately 20% for the Controller's office and the Bond Bank would pick up the remaining 5-10% of the salary and benefit's for that person. The person will be an employee of the Bond Bank. Corporation Council and the Controller's office would be responsible for reimbursing the Bond Bank for the expenses. He explained that the Bond Bank would like authorization to go ahead and add another person to the Bond Bank. He didn't think it would be necessary to make a resolution, as the existing budget should suffice because the Bond Bank is only picking 5-10% of the person's salary. He's hopeful that within the next two weeks, they should have a person identified and hired for the position. Chairman Dillon then asked Mr. Clifford if he did feel that the maximum exposure would be 10% of the salary. Mr. Clifford stated that he felt the salary range for a Public Information Officer would be in the \$35,000-\$45,000 range. Mr. Arnold Pinkston asked why did the head count come to the Bond Bank as opposed to the other parties involved. Mr. Clifford responded, stating that it was less complicated for the Bond Bank. Chairman Dillon asked for a motion to approve the partial employment of a Public Information Officer, with their salary being shared along with other city agencies. Ms. Mary Chandler made the motion to approve, seconded by Mr. Jacob Hall. All voted in favor and the motion passed.

The next order of business was the discussion of the Market Square Arena site. Chairman Dillon introduced Jennifer Weflen as the lead person who is handling the proposals for Market Square Arena. He went on to explain the location of the development, also, stating that the development would be a shining star for the City of Indianapolis. He then stated that Ms. Weflen has done a great job in putting together and receiving the proposals. He explained that the proposals are difficult to review from a

financial development standpoint. He mentioned that you would have to have the financial background in order to know that you are not getting dragged along versus people who can actually bring money to the table. In order to move through that, it had been recommended that the Indianapolis Bond Bank work on hiring a consultant who has the background in urban construction. The company that has been identified is the Buckingham Company, Pres. Brad Chambers. He is a well-known local developer. The City has had previous experience with Mr. Chambers and he has proven that he has sharp analytical skills in this area.

Chairman Dillon then asked Mr. Clifford for additional comments. Mr. Clifford summarized that the Bond Bank has six proposals in from different developers. Some proposed to spend somewhere between \$140MM –\$150MM and will not need any public assistance. There are others who are proposing around \$100MM and will need significant public assistance due to construction problems. This resulting from the fact that the franking piles are still underground. (These are concrete support beams that were poured into the ground approximately 20 feet deep to support the old Market Square Arena.) In analysis of this, The Bond Bank is looking for someone with construction experience who understands high-rise building that can tell them if the proposals are reasonable or not. The issue is that the Bond Bank doesn't know and will need someone to examine it since the Bond Bank does not have the in house capabilities to do so. The Bond Bank has not contracted with anyone and has not made any arrangements with anyone. They identified Mr. Brad Chambers as a person who is very knowledgeable. Chairman Dillon then asked about the number of proposals and asked if Mr. Brad Chambers had any ties to any of the developers that submitted proposals. Mr. Clifford stated he did not. Ms. Mary Chandler asked about the fact of Buckingham Company specializing in apartments. She then asked if he was also going to advise on the financial aspects of the apartments and residential, as well as, the retail proposals. Mr. Clifford stated there would be for the construction, which would be Brad, and another would be for the financial aspect..

Mr. Clifford mentioned that with the six proposals, the difference in the level of support, objectively, the City would like the proposal that wouldn't need any assistance as opposed to the others since it would save the City money. Mr. Arnold Pinkston asked why not put the contract out before they factor in the contract, then at that point it would be difficult for them to negotiate, because once they've been selected, they may hold out before making the selection. Ms. Weflen added that they anticipate using the entities to talk to a final group. She also stated that they anticipate having it narrowed down by mid-April. Mr. Pinkston then added that the Bond Bank should ask for their comments prior to negotiation, so when the Bond Bank goes to negotiate they can't come back with additional changes pushing the deal in their favor. Mr. Clifford stated that that was an excellent point.

Ms. Chandler asked who the financial consultant would be. Ms. Weflen mentioned that the Bond Bank has discussed using Walt Kelly with Clifton Gunderson. Ms. Chandler asked if Buckingham was the only consideration before the board this day. Mr. Clifford explained to the board that what was before them is a proposal to go forward to seek a consultant. Chairman Dillon stated that what he would like to do, to make sure the board is fully informed, is have them disclosed, laid out, discussed and approved, then they can move forward to get the things done. Chairman Dillon then stated that he did not feel the

need for multiple consultants. Ms. Chandler stated that she would feel more comfortable if they were to further discuss the consulting issue. Ms. Chandler then made mention that she would like to see a contract and fee basis-so that the board could have an idea to vote on. Chairman Dillon asked for a motion to authorize the Bond Bank staff to move forward to discuss terms and conditions, which have not been discussed, with a consultant to assist on the Market Square Arena project. Mr. Arnold Pinkston made the motion to approve, seconded by Ms. Mary Chandler. All voted in favor and the motion passed.

The next order of business was the approval of the Resolution No. 4-Key Bank Note. Mr. Clifford did a summary, stating that the resolution has to do with Consolidated TIF District (Circle Center Mall District). The Bond Bank has put together a repayment schedule, which the Bond Bank refers to as the Key Bank Note. Mr. Clifford then mentioned that Mr. Guy Nagahama (First Albany) has been the Bond Banks financial consultant and helped to structure the long-term debt. Mr. Nagahama summarized the transaction stating that back in August of 2000, the Bond Bank issued approximately \$36.5MM of notes and placed them with Key Bank. The notes were to refinance 1998 Notes which in turn had refinanced the 1988 Notes. They are all related to capital improvements within the Mall TIF District. The 2000 Notes will mature on December 15, 2003 and he explained that that is what appears before the board today in terms of refinancing the notes at this time. The current Notes have a variable rate of interest that is reset every 90 days. In August 2000, they were issued at 7.78%, November 2000 they were 7.86% and they are now at 2.44%. Mr. Nagahama then stated that Key Bank is proposing to keep the basic interest rate methodology. What they intend to do, that is significantly different, is pushing the loan out to ten years with a 2013 final maturity. They have scheduled the payment of principal from February 2004-2013, whereas, they end up with a level debt service coverage. Through 2012, they've scheduled the maturity so that approximately \$13MM of the bonds is paid off. In 2013 there is a \$20-\$22MM bullet maturity. He then stated that one of the plans is to use every year, at least 50% of the excess revenues to pay down (or pre-pay) the note. He then explained that First Albany and the Bond Bank have discussed the possibility of entering into a interest rate swap for a portion of the notes - to hedge interest rates or to lock in long-term interest rates for a portion of the bonds. He then explained why they picked the years.

Mr. Pinkston asked about the coverage ratio which is 1.03. Mr. Nagahama explained that the number was correct, which is \$103.00 for every 100 of debt service revenue. Mr. Pinkston then asked if that meant that there would not be a lot left over to pay down the bullet. Mr. Nagahama explained that the coverage goes from \$103.00 in 2004 to \$107.00 in 2005 for the next ten years. Mr. Pinkston then asked about the current projections. Mr. Nagahama answered, stating that by the time 2013 came around, the projections would indicate (at the maturity of the loan) that there would be approximately \$6.5MM outstanding. Mr. Clifford added that they were trying to be very conservative on the interest rate stating that, in the earlier years, they are using 4% for the variable rate and 6% on the loan. Mr. Clifford then explained that they only factored in, growth on revenues, from the standpoint of the roll off of tax abatement from projects in the downtown area.

Mr. Nagahama responded, stating that the Bond Bank does have a precedent of using swaps as a strategic hedging tool. He then went on to say that the transaction was

approved by the City-County Council, in the fall of 2002, and what they have before them is the approval. On April 2, 2003 they will appear before the Redevelopment Commission for their approval with anticipation that once all of the approvals are in place the re-financing will be completed in April.

Mr. Arnold Pinkston voiced his support of the swap. Mr. Nagahama explained that it reduces the risk since Key Bank is providing the swap, as well as, holding the note. Chairman Dillon mentioned that there is still a risk. Mr. Clifford then explained the differences between the swap on the variable rate -vs- the one being discussed. Chairman Dillon asked for a motion to approve Resolution No.4. Mr. Arnold Pinkston made the motion to approve and was seconded by Ms. Mary Chandler. All voted in favor and the motion passed.

The next order of business was the APC Bonds. Chairman Dillon asked Mr. Clifford to give a brief summary. Mr. Clifford explained that last month the Bond Bank did approve a resolution to go forward with the financing and bond financing. The Bond Bank has been through the ratings agency and has been insured. He also explained that, Standard & Poor's has confirmed that they will probably retain the AA Rating for the County and Moody's had rated the County's 1997 Jail II Bonds as AAA Rating. Moody's has indicated to the Bond Bank, that they are likely to decrease the rating for the County. Mr. Clifford then explained that the reason for the difference is that Standard & Poor's typically looks at the debt capacity of the governmental unit, whereas, Moody's is more mechanical and looks at financial ratios and negative trends for financing. Mr. Clifford then mentioned that Marion County has deficit balances and had reduced their reserves over the last four years. Also, the increased cost of housing the incarcerated is a factor. Mr. Clifford then stated that there should not be too much concern for the City of Indianapolis, as it shouldn't effect the cost of outstanding debt that the City already has outstanding. It should have little impact, if any, since the Qualified Entities are all separate. The County has responded to the concerns. Mr. Clifford stated that the Bond Bank has not gone to market with the bonds. The Bond Bank is waiting to find out the rating from S&P, as they are waiting to receive quotes from insurance companies to enhance the bonds.

The next order of business was old business. Chairman Dillon asked Mr. Matt Hall to give a quick update on Union Station. Mr. Hall stated that R.W. Armstrong's lease has been executed and they are finalizing drawings and design. The City is responsible for approximately \$625,000.00 worth of work for their space. That will be bid out through a purchasing position. He expects a contract to be awarded around mid-May 2003. El Sol Mexican Restaurant is currently under construction at Union Station. The City is finished with their portion of work there. They expect to open the first week in May 2003. The Bond Bank's leasing agent, at Browning, is working diligently to get approximately 5,000sq.ft. leased. Mr. Jacob Hall complimented Mr. Hall and Mr. Evert Hauser for the good job of leasing out the space at Union Station.

Chairman Dillon then asked Mr. Hall to update on Circle Block. Mr. Hall stated that the Bond Bank is moving forward with negotiations with Mansur and Kite Construction for the luxury hotel and condominium project. He expects a project agreement to be signed between the Circle Area Community Development Corp and the Department of Metropolitan Development by April 15, 2003. He and Mr. Clifford have been talking

with banks regarding the financing for CAC's portion of the development. He stated that everything is moving forward.

Mr. Jacob Hall asked if there is a group looking into other uses for the United Airline maintenance hub. Chairman Dillon answered, stating that the Mayor has established a group of fifteen business people in the City and political people to take a look at the facility.

Chairman Dillon asked for a motion to adjourn. Ms. Mary Chandler made the motion to adjourn, seconded by Mr. Arnold Pinkston. All voted in favor and the motion passed.

Chairman John J. Dillon III adjourned the meeting at 12:40 p.m.